Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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ACTION SS-25

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S E C R E T CAIRO 1026

EXDIS

DEPARTMENT PASS JIDDA

EO 11652: GDS
TAGS: PFOR, ENRG, EG, SA
SUBJECT: SUMED PIPELINE

REF: CAIRO 1016

1. IN CONVERSATION APRIL 4 ARRANGED BY SAUDI ARABIAN AMBASSADOR NAZIR AT HIS RESIDENCE, KING FEISAL' S ADVISOR KAMAL ADHAM DISCUSSED NEW APPROACH TO SUMED PIPELINE PROJECT AND MADE A STRONG PITCH FOR AMERICAN INTERESTS TAKING IT OVER. THE SUBJECT CAME UP IN CONTEXT OF DISCUSSION OF HOW TO ALLEVIATE THE ECONOMIC BURDENS WHICH AMONG OTHER THINGS ARE BELEAGUERING SADAT AND HIS GOVERNMENT. EARLY IN THE CONVERSATION WE EXCHANGED ACKNOWLEDGMENTS THAT EACH OF US HAD TALKED WITH ROGER TAMRAZ OF KIDDER PEABODY. ADHAM' S REFERENCE TO TAMRAZ INDICATED THAT HE CONSIDERS TAMRAZ THE FRONT RUNNER FOR PUTTING THE PROJECT TOGETHER AND GETTING IT ACROSS (CAIRO 1016).

2. ADHAM SAID THAT THE HARD CURRENCY COSTS OF THE PACKAGE HE IS INTERESTED IN AND THAT KIDDER PEABODY AND CITIBANK ARE PUTTING TOGETHER WITH BECHTEL AND MORRISON-KNUTSON , WOULD BE ENTIRELY MET BY PRIVATE FINANCING. IN ADDITION TO WHAT THE US BANKERS CAN RAISE IN NORTH AMERICA AND EUROPE, SAUDI ARABIA AND KUWAIT WILL COME IN WITH ENOUGH TO COVER THE GAP. HE SPECIFICALLY
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Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

EXCLUDED RECOURSE TO EXIM BANK (A MATERIAL DIFFERENCE FROM THE TAMRAZ PRESENTATION), BUT EQUALLY EXPLICITLY ASKED ABOUT THE AVAILABILITY OF USG- OWNED LOCAL CURRENCY. ADHAM ARGUED THAT AMERICAN SPONSORSHIP AND MANAGEMENT OF THE PROJECT WOULD BE A GOOD THING FOR THE CAUSE OF PEACE IN THE MIDDLE EAST, IN GENERAL, AND SPECIFICALLY BECAUSE IT WOULD SIGNAL TO SADAN SERVICES PROVIDED BY A FIRM OF PORTUGUESE RATHER THAN US NATIONALITY, IT MAY BE PREFERABLE TO RENEW CONTRACT WITH MOBIL OF NEW YORK. AT THIS POINT GOP MIGHT INTERPRET SWITCH TO MOBIL OF PORTUGAL AS SIGN OF US UNCERTAINTY ABOUT ITS CASE AND ENCOURAGE GOP TO TAKE A MORE FORCEFUL OR NEGATIVE POSITION THAN IT WOULD OTHERWISE.

5. COMMENT: WE REALIZE KNOWLEDGE OF GOP POSITION WOULD BE USEFUL PRIOR TO SIGNING NEW CONTRACT. WE CANNOT, HOWEVER, SAY WHEN ONE WILL BE FORTHCOMING, ALTHOUGH WE WILL CONTINUE PRESS FOR RESPONSE. HABITUALLY SLOW IN CONSIDERING MOST MATTERS, GOP BUREAUCRACY NOTORIOUSLY DILATORY WHEN MONETARY INTERESTS OF PORTUGAL INVOLVED. IF CONTRACT SIGNED BEFORE PORTUGUESE POSITION KNOWN, AS NOW SEEMS LIKELY, WOULD IT NOT BE POSSIBLE INCLUDE PROVISION STATING TAX MATTER UNDER DISCUSSION WITH GOP AND IF OUTCOME SUCCESSFUL, PRICE OF CONTRACT WILL BE REDUCED ACCORDINGLY?

5. FYI. PRESIDENT OF MOBIL OF PORTUGAL SEES NO TECHNICAL DIFFICULTIES AT THIS END IF DECISION TAKEN TO SIGN CONTRACT HERE. HE SAID, HOWEVER, HE COULD NOT SPEAK FOR MOBIL OF NEW YORK. END FYI.
POST

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Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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